

August 10 2025

ACME Manufacturing

Business Valuation Report



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About Your Valuation

Valuation

Valuation

This Report is the outcome of user-generated, company specific entries coupled with industry-based financial and operational metrics which provides actionable insights into the firm's operating performance and value. The primary purpose is to provide you with general estimates of fair market values and liquidation value, taking into account real-time economic conditions, industry averages, and overall business performance.

The results presented provide the recipient with measured estimates that reflect both the "sale of assets" and the "sale of equity" along with "enterprise value" and "liquidation value."

In addition to the valuation estimates and industry benchmarks, the recipient will receive data on the key value drivers of the business for purposes of determining whether the company is over/under performing relative to the industry cohort.

Executive Summary

The purpose of this Report is to provide general estimates of potential business value based on hypothetical transaction scenarios. These scenarios reflect both the “sale of assets” and the “sale of equity” (on a going concern basis), as well as estimates which reflect the “liquidation value” and the so-called “enterprise value” of the subject company. The results are credible and the tool is reliable, but certain tax and legal scenarios will mandate reliance on a professional business appraiser with proper certifications. That said, this Report should not be used as an appraisal for purposes of IRS filings or litigation. If these services are required, please contact us for referral to an external specialist.

The hypothetical valuation results illustrated in this Report are not and should NOT be construed as a guarantee of future performance or transaction value. The models used to generate these hypothetical results may contain assumptions and methodology which differ from other providers of similar analysis. Each estimate of value has been calculated in a manner consistent with generally accepted business valuation principles and procedures, but every valuation is based on layers of assumptions which are often subjective in nature.

Please refer to the end of this Report for additional information and a glossary of terms.

Our Approach to Business Valuation

The value presented in this presentation is an automated estimation of the Fair Market Value of the business and its assets and liabilities.

Valuation methods and perspectives from the income, market and asset approach have been utilized to generate the valuation results for the company. The multiples/capitalization rates utilized herein are industry-specific, size-adjusted and company specific risk-reflective and have been sourced from the same array of private firm transaction databases utilized by certified appraisers.

The estimated value* is based on information provided by the user, and is benchmarked against a series of comparable industry data sources. The information inputted in the "seven steps" is assumed to be accurate and complete.

* Some events and circumstances that might impact the overall valuation of a specific business may not be taken into account for the purpose of this report.

The BizEquity Methodology

"Valuation is both an art and a science"

Methodology & Algorithm

The BizEquity Algorithm is based upon professional business valuation standards and revolves around both a Discounted Cash Flow (DCF*) model, EBITDA measurement, and the important “return on owner’s labor” paradigm involving Seller's Discretionary Earnings (SDE). It is unique in this hybrid approach and its proportion-based utilization of DCF.*

Multiples, Cap Rates, & Discounts

All multiples account for various company-specific factors including size, growth, profitability, asset intensity and key risk factors (ex: customer concentration, degree of repeat clientele, importance of owner to day-to-day operations, and more).

* The DCF methodology is utilized chiefly for "high growth companies" and/or companies participating in select industries as opposed to more traditional "tax efficient businesses" that are valued primarily by way of SDE/Adjusted EBITDA multiples in conjunction with revenue multiples.

Asset Sale Value



This common, transaction-oriented, fair market value conclusion includes the business's inventory, furniture, fixtures, and equipment, as well as all intangible assets ranging from customer base to goodwill. Excludes all liquid financial assets and liabilities.

Use cases:

- Negotiating the purchase or sale of a business via asset sale
- Monitoring and optimizing the operational value of the subject company over time and facilitating “apples-to-apples” comparisons of value
- Fostering negotiation between buyer and seller, in reference to IRS required allocation of purchase price (IRS Form 8594)

Your valuation report includes 4 main estimates of value:

Asset Sale, Equity, Liquidation, and Enterprise. Arguably the two most important are the asset sale and equity value, as they will be utilized most often for small business owners.

Equity Value

$$\text{Equity value} = \text{Asset Sale value} + \text{Cash, AR, etc.} - \text{Liabilities (short and long term)}$$

This fair market value conclusion is the value of the company available to its owners or shareholders and incorporates all the assets included in the asset value, plus the firm's liquid financial assets (cash, A/R, deposits), minus its liabilities (ST and LT).

Use cases:

- Purposes of matrimonial dissolution (divorce)
- Creating a buy/sell agreement among shareholders
- Filing estate/gift tax return
- Handling a sale that involves the transfer of licenses, contracts or other key rights that belong to the business

Your valuation report includes 4 main estimates of value:

Asset Sale, Equity, Liquidation, and Enterprise. Arguably the two most important are the asset sale and equity value, as they will be utilized most often for small business owners.

Which Business Value Conclusion is Most Important?

This chiefly depends upon the purpose for the valuation engagement.

For example, IF:

- Negotiating the sale/purchase of a business via an asset sale, then the asset value is most relevant.
- Filing an estate/gift tax return, then the equity value is most important.
- Evaluating middle-market companies for M&A purposes, then both equity and asset sale/enterprise value may be useful.
- The business is rapidly deteriorating and you are contemplating a reorganization, then liquidation value may be of most relevance.

Your valuation

ACME Manufacturing

Industry: 325510 - Paint and Coating Manufacturing

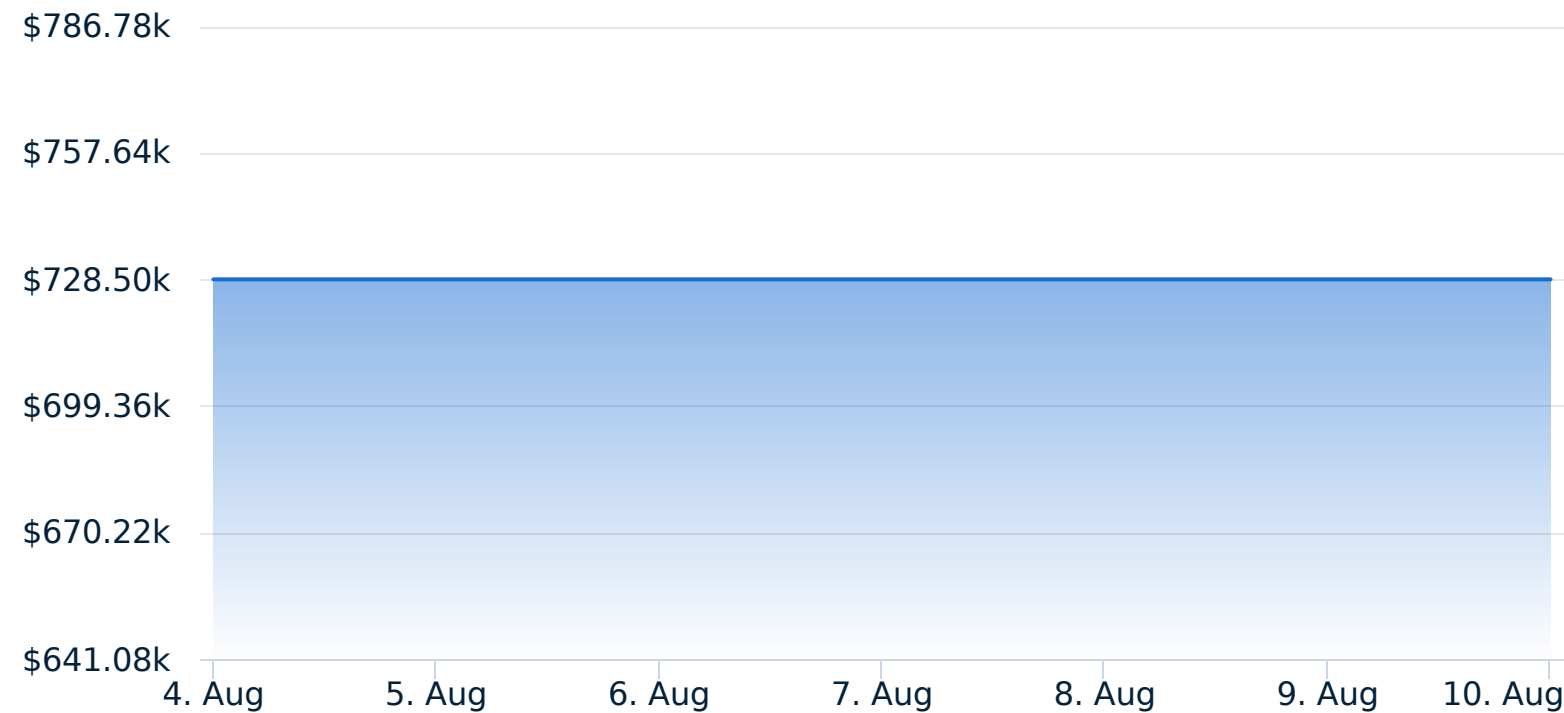
Equity Value

(Latest Valuation)

\$728,510

This fair market value conclusion is the value of the company available to its owners or shareholders and incorporates all of the assets included in the "asset value" plus the firm's liquid financial assets (cash, A/R, deposits, etc.) and minus its liabilities (ST and LT).

Valuation History



Asset Sale Value

\$708,510

This common transaction-oriented fair market value conclusion includes the firm's inventory, furniture, fixtures, and equipment, and all intangible assets ranging from customer base to goodwill.

Enterprise Value

\$713,510

This fair market value estimate is equal to the total value of the firm or the value of the firm's equity plus its long-term debt, e.g. it reflects the value of the entire capital structure (equity-holders and debt-holders) or enterprise.

Liquidation Value

\$83,000

The liquidation value conclusion is based on the key assumption of insolvency and the immediate sale of all assets (on or off the balance sheet) at or near "fire sale" level coupled with the nearly simultaneous retirement of all liabilities. This figure does not include accounts receivable.

Financial Summary

2025

Income

Revenue
\$750,000

Pretax Income
\$250,000

Officer Compensation
\$100,000

Interest Expense
\$10,000

Non-Cash Expenses
\$20,000

One-Time Expenses
\$25,000

One-Time Revenues
\$0

Assets

Cash
\$50,000

Accounts Receivable
\$25,000

Inventory
\$75,000

Other Current Assets
\$10,000

Fixed Assets
\$75,000

Intangible Assets
\$0

Liabilities

Accounts Payable
\$15,000

Other Short-Term Liabilities
\$10,000

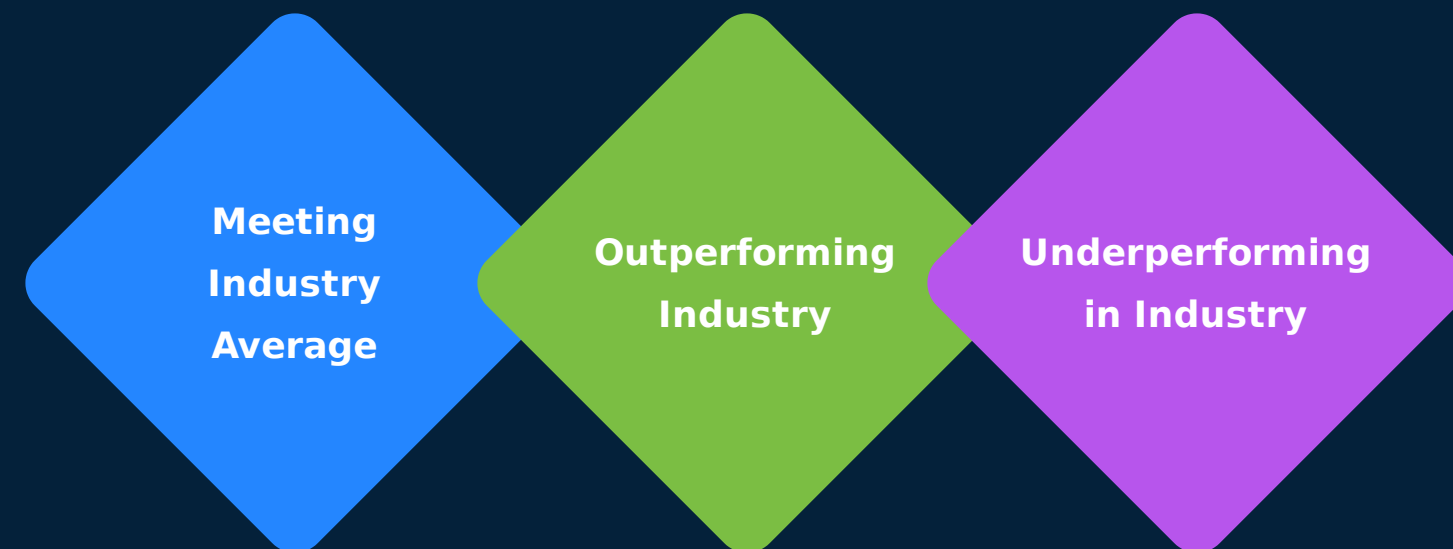
Bank Loans
\$25,000

Other Long-Term Liabilities
\$10,000

Contingent Liabilities
\$0

KPIs

Key Performance Indicators



In order to better understand your company's current operations, we have calculated and measured the key value drivers and their performance as it pertains to the business.

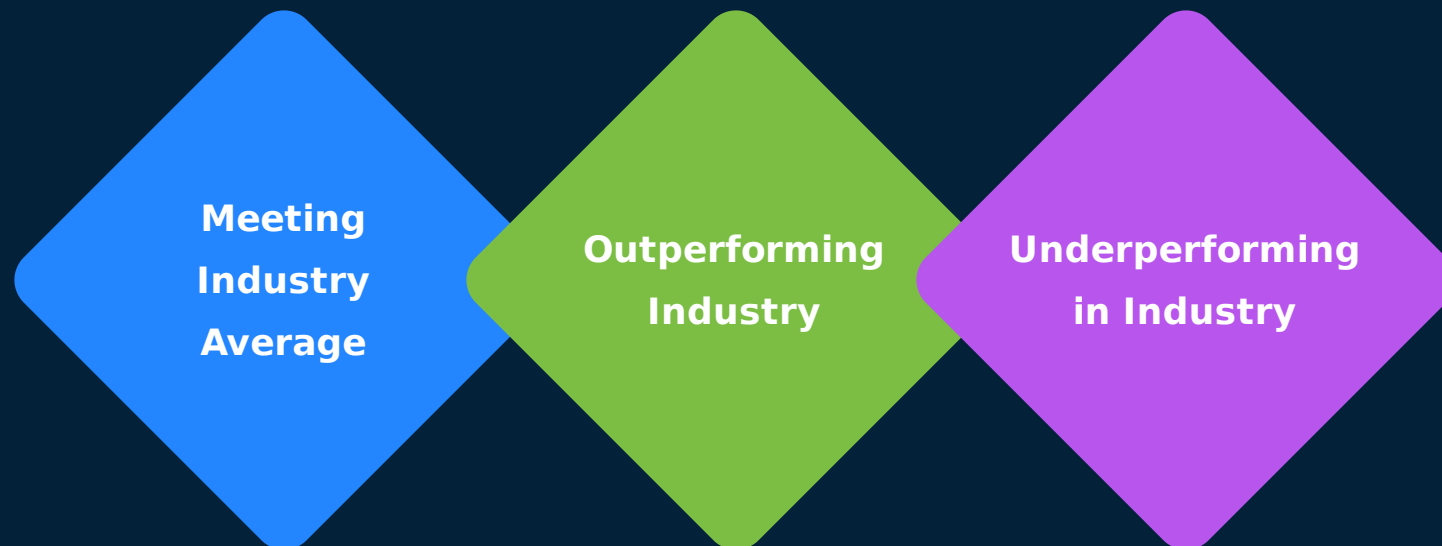
We use these KPIs to identify the areas of the business that are over- or underperforming, and to demonstrate where potential investments can be made to enhance the value of the business. Also provided are industry benchmarks to see how the business compares with your industry peers.

The KPIs were calculated based on the financials entered into BizEquity. These KPIs are benchmarked against industry-specific averages which are pulled from recent transactions within that industry.

The KPIs are useful measures of the overall financial and operation health, as well as growth of the business. They should be checked regularly to identify meaningful trends or "red flags" which require corrective action.

KPIs

Key Performance Indicators



Activity

- Fixed Assets Turnover
- Inventory Turnover
- Receivables - Conversion
- Receivables to Income
- Inventory to Income
- Fixed Assets to Income

Solvency

- Debt to Equity
- Interest Coverage
- Total Debt to Income

Liquidity

- Cash to Debt

Profitability

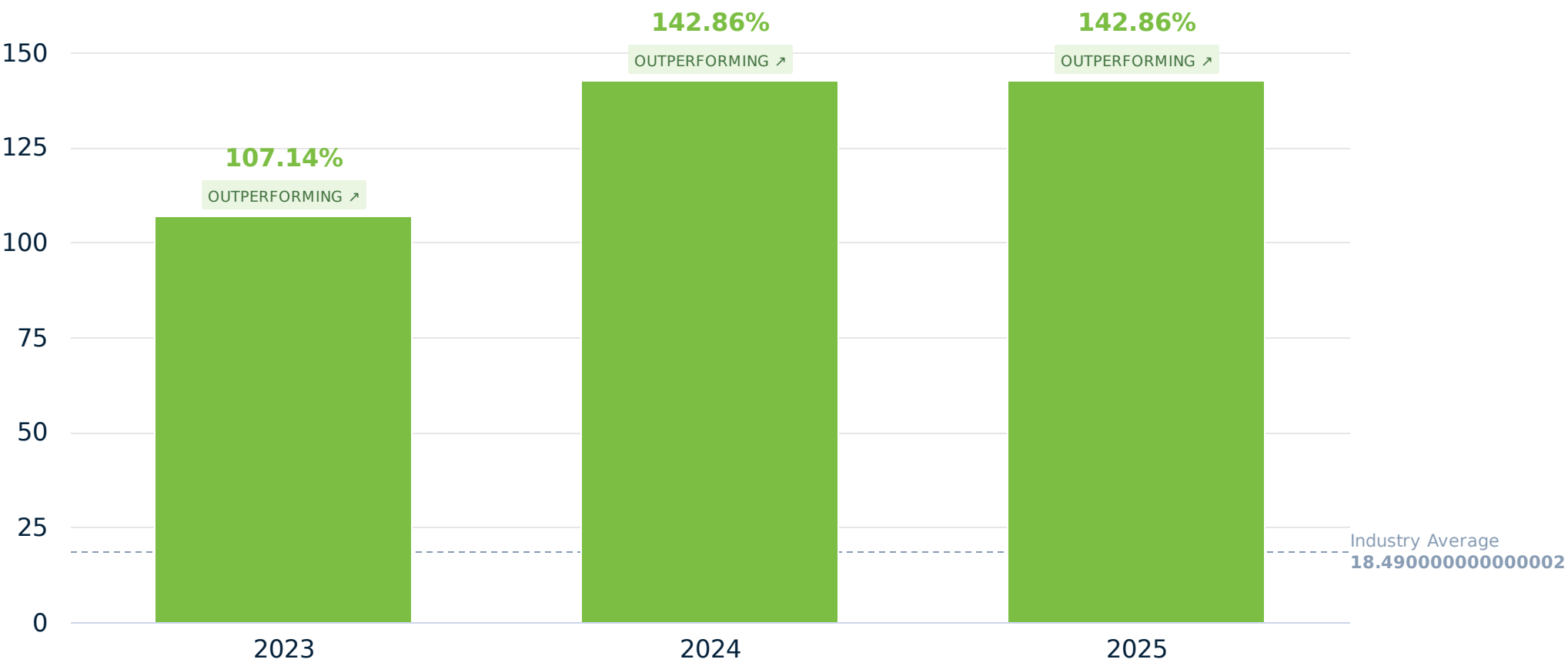
- Income to Revenue
- Return on Equity - ROE
- Cash Flow to Revenue

KPIs:

Return on Equity (ROE)



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Industry Average is defined as the most recent one year average. Please note that the industry average may not always be visible if there is a large difference between the company averages and the value of the industry average.

What does it mean?

This is the amount of net income generated as a percentage of shareholder's equity. Return on Equity (ROE) measures a company's profitability by depicting how much profit a company generates with money shareholders have invested.

Why should it matter?

ROE is a universal and very useful measure to compare a company's profitability to that of its peers in the same industry. High growth companies tend to have a high ROE.

Give me an example

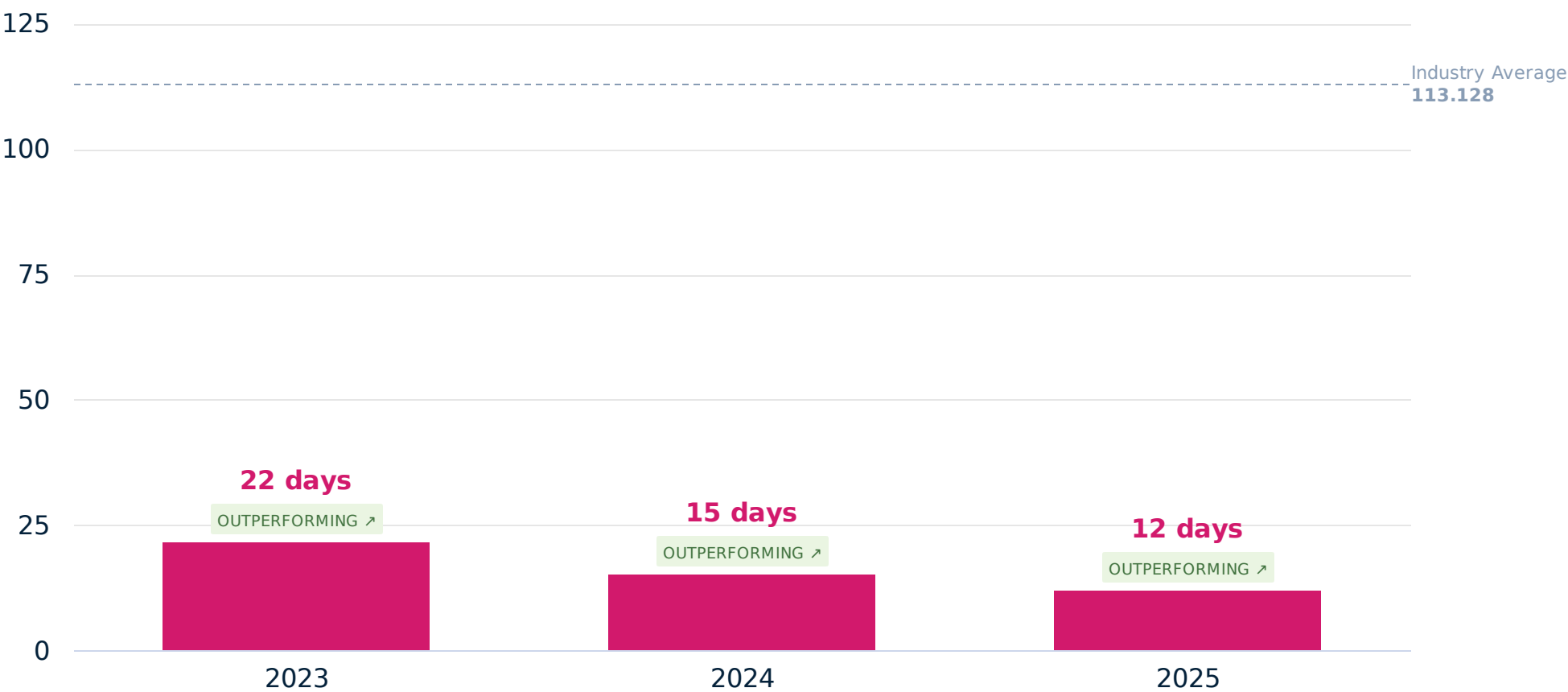
If an E-Commerce company has an ROE of 0.48 this means it generated 48 cents in net income for every \$1 the shareholder had invested.

KPIs:

Receivables (Conversion)



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Industry Average is defined as the most recent one year average. Please note that the industry average may not always be visible if there is a large difference between the company averages and the value of the industry average.

What does it mean?

The time period shows the number of days it takes a company to collect its accounts receivables.

Why should it matter?

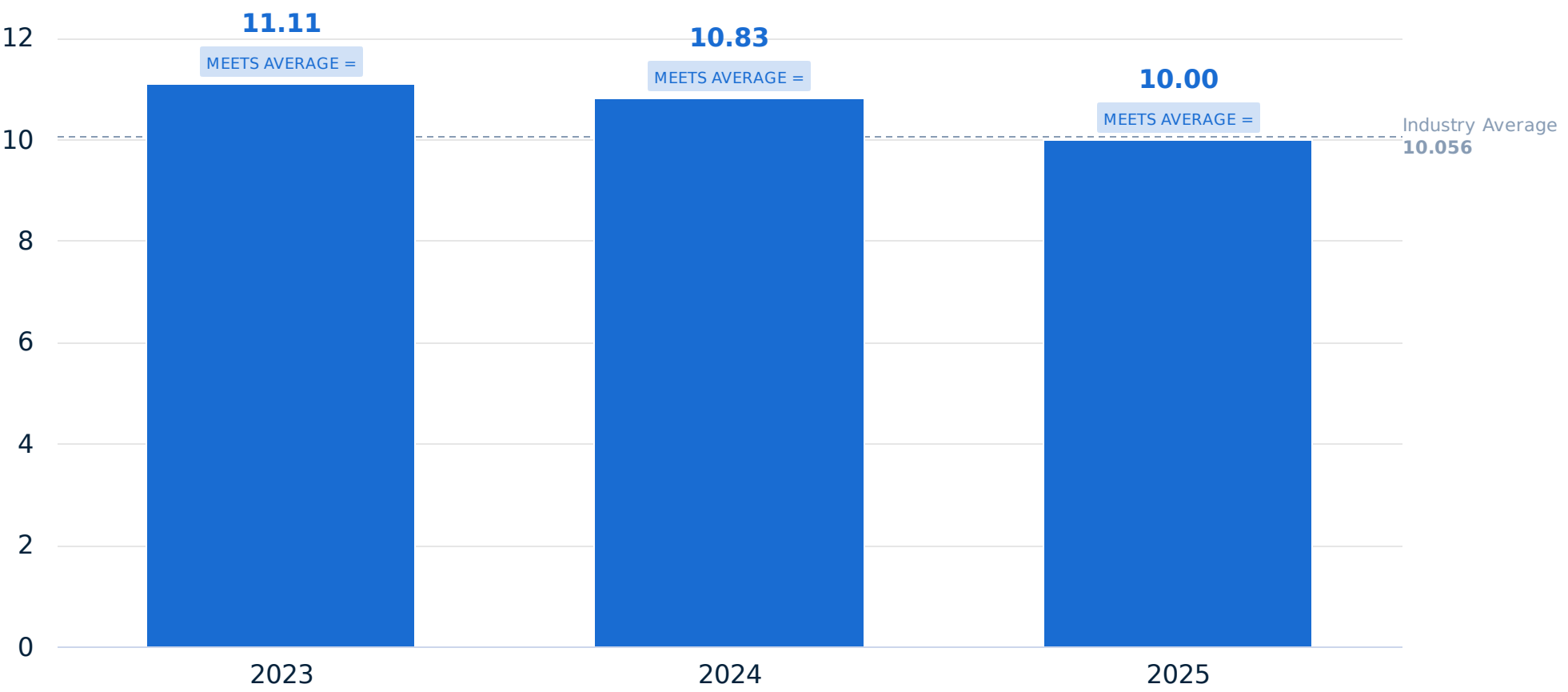
A lower time period indicates that a company relies mainly on cash or is efficient in imparting credit and collecting its debts. On the other hand, a higher time period could mean some inefficiency in collecting the accounts receivables and require a review of the current credit and collections policies of the company. The quicker receivables are collected, the sooner cash is available to meet other business needs (thereby reducing the need to borrow funds).

Give me an example

If a lumber wholesaler has a receivables conversion of 24 days, it means it takes 24 days on average to collect its accounts receivables. If the firm's credit terms are "net 30 days," this would be considered a positive result.

KPIs:

Inventory Turnover



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Meets industry average

What does it mean?

This activity or "turnover" ratio addresses how efficiently goods are sold by calculating how many times a company's inventory is sold and replaced in a given time period.

Why should it matter?

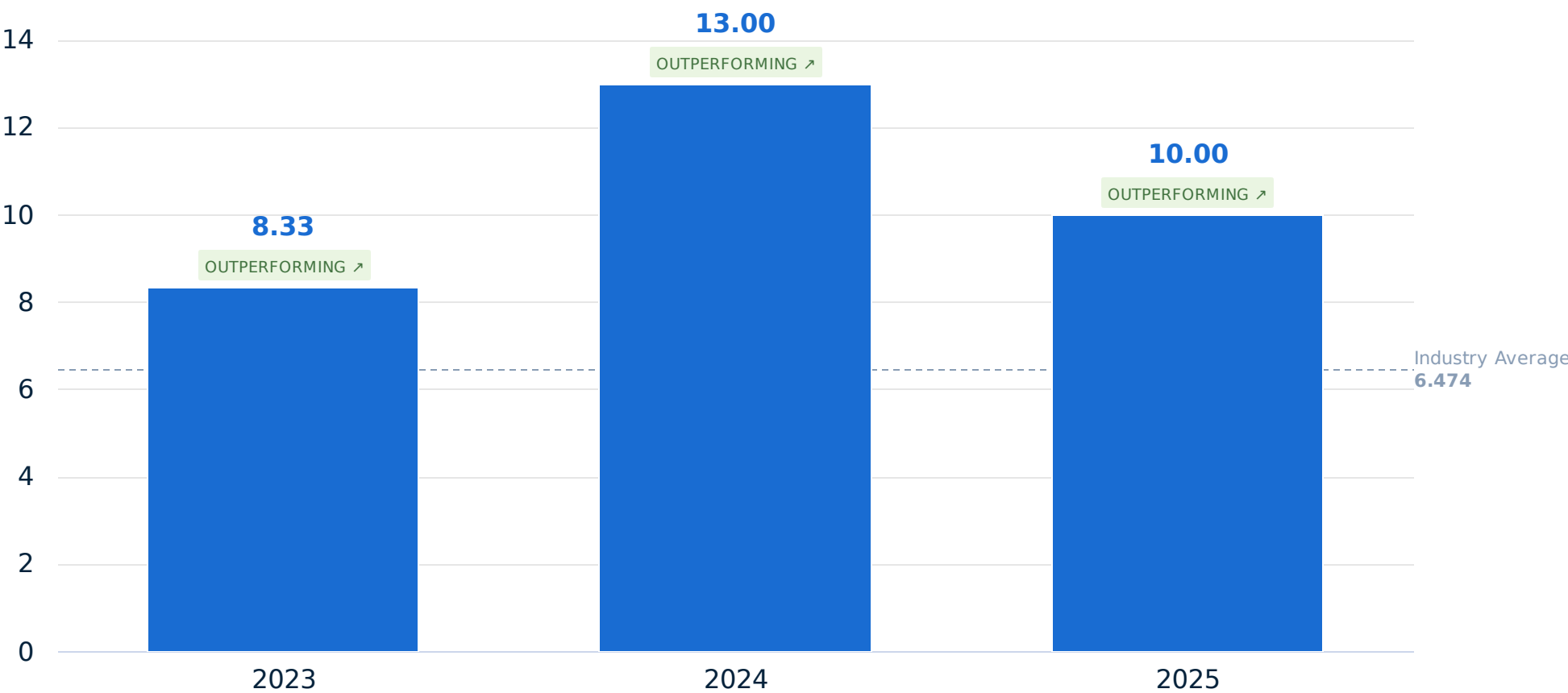
A lower ratio could mean poor sales and excessive inventory, possibly due to pricing policies. A higher ratio may indicate a too narrow selection of product and possibly lost sales. Companies selling perishable goods have a very high inventory turnover. Keeping inventory balances to a minimum will reduce costs but may reduce sales volume.

Give me an example

If a soda manufacturer had an inventory turnover of 5.7, this means it sold all of its average inventory 5.7 times each year.

KPIs:

Fixed Assets Turnover



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What does it mean?

This activity ratio shows the company's ability to generate net sales from their investments in fixed assets.

Why should it matter?

A higher ratio shows productive fixed asset investment. This ratio is more vital and useful to the manufacturing industry.

Give me an example

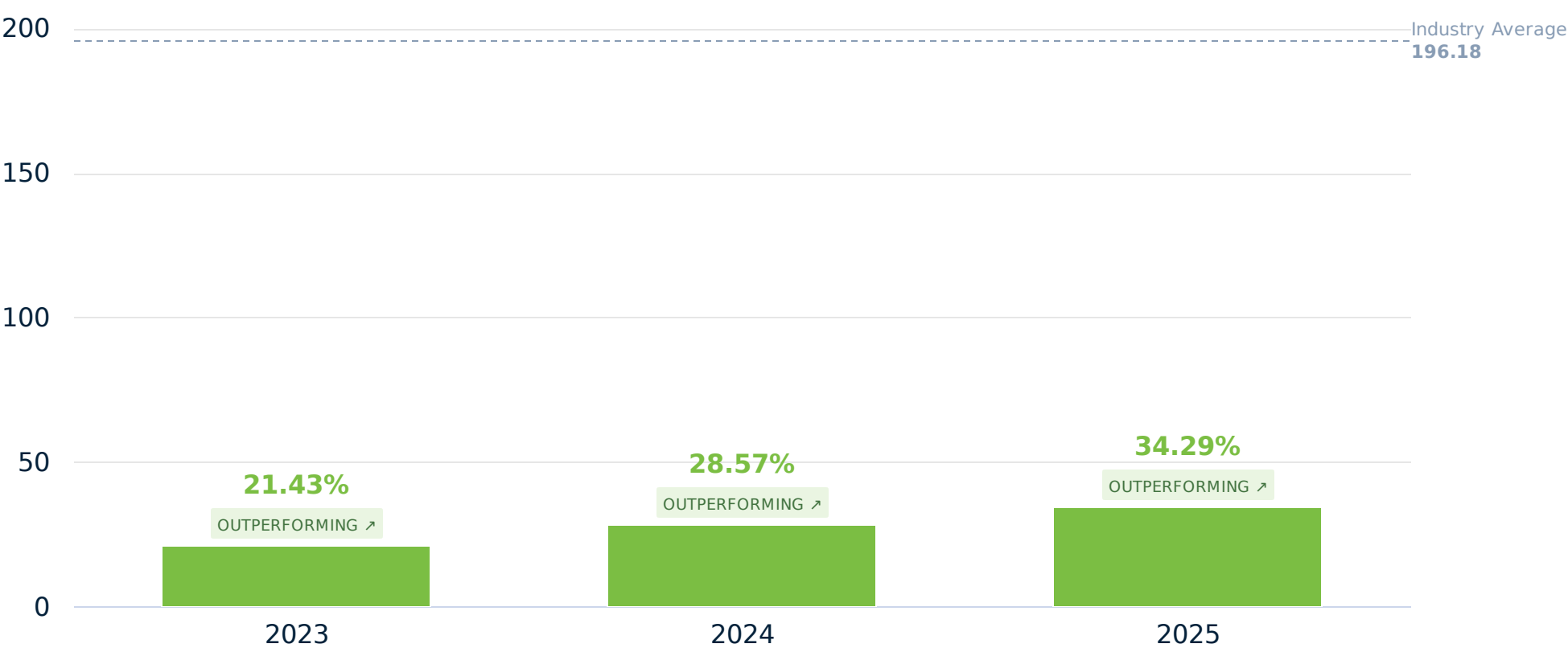
If a manufacturing company had a fixed asset turnover of 3.8, this means the company generated sales worth \$3.8 for every \$1 of investment in fixed assets.

KPIs:

Debt-to-Equity



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Industry Average is defined as the most recent one year average. Please note that the industry average may not always be visible if there is a large difference between the company averages and the value of the industry average.

What does it mean?

This solvency ratio is a function of the firm's "capital structure" (all assets must be financed by either debt or equity) and provides a measure of the company's financial leverage. It often takes into account the total liabilities of the company while some versions include only long term debt. It indicates the proportion of equity (owner investments and retained profits) and liabilities the company is using to finance its asset base.

Why should it matter?

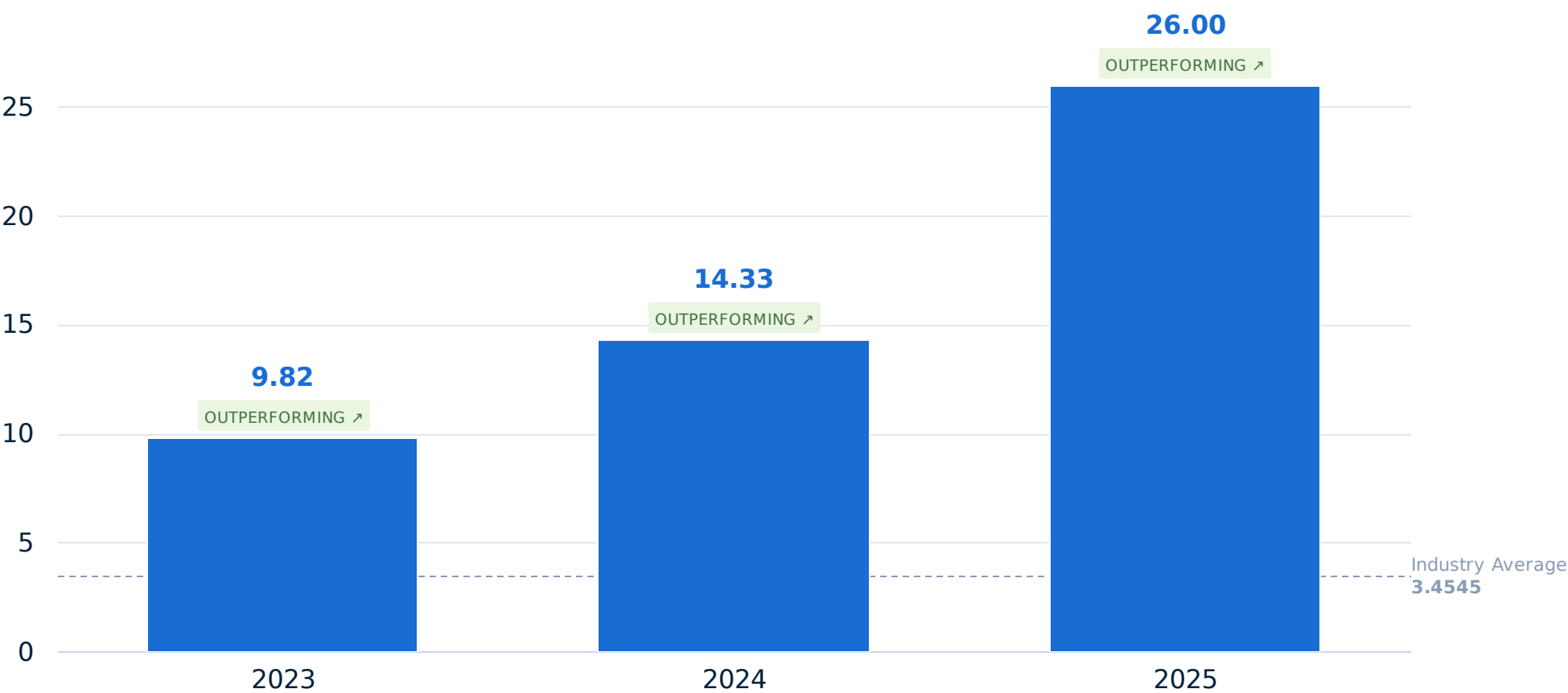
A higher ratio generally means that the company has been aggressive to finance its growth with debt and the creditors are assuming a higher risk. A lower ratio generally indicates that the company is "safer" (better equipped to withstand an economic downturn) due to lower mandatory principal and interest payments, but it may also suggest an overly cautious ownership. Capital intensive industries tend to have a higher debt to equity ratio than others.

Give me an example

If a machinery manufacturer has a ratio of 2.8. This means that for every \$1 owned by the shareholders the company owes \$2.8 to its creditors.

KPIs:

Interest Coverage



Industry Average is defined as the most recent one year average. Please note that the industry average may not always be visible if there is a large difference between the company averages and the value of the industry average.



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What does it mean?

Also referred to as "times interest earned", this solvency ratio is equal to earnings before interest and taxes (EBIT) divided by interest expense and it is used to determine the ease by which your company can pay interest on outstanding debt obligations.

Why should it matter?

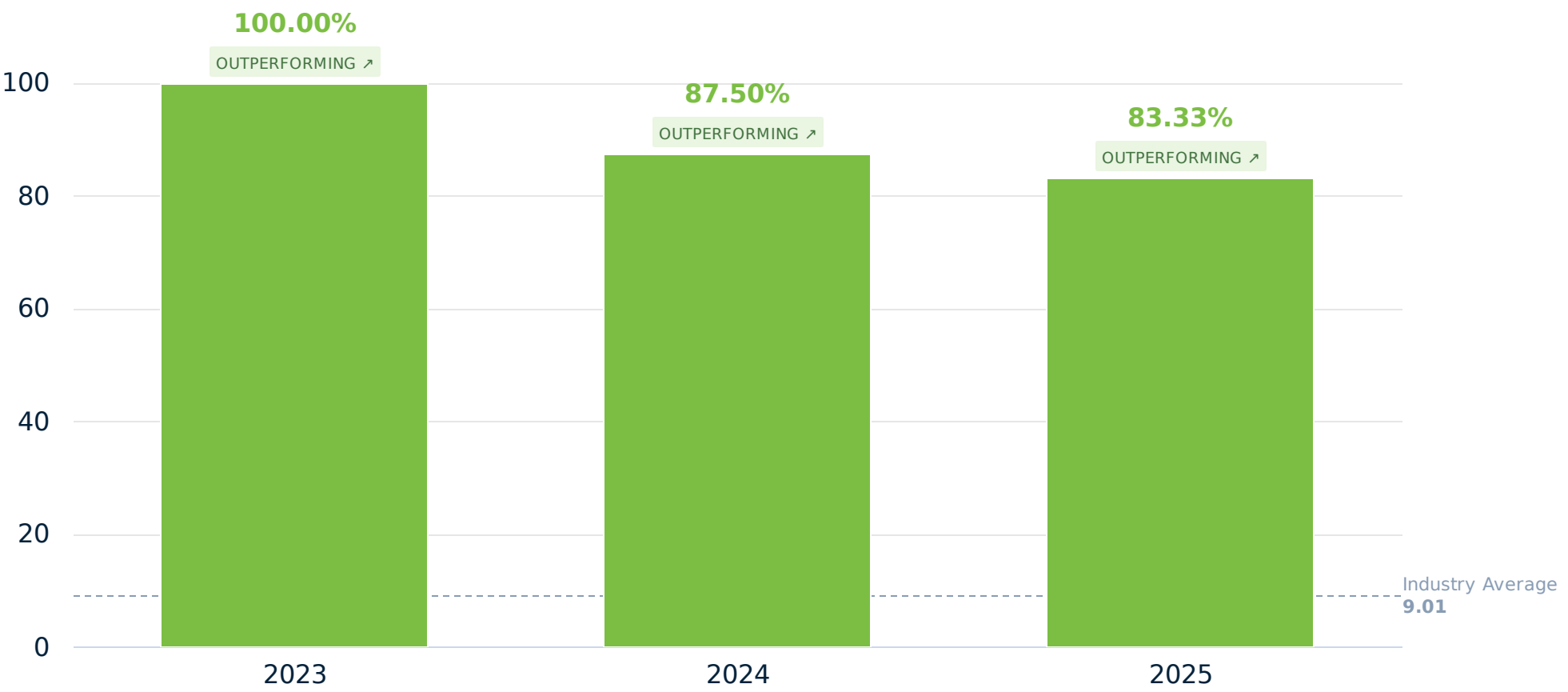
A lower ratio may cast doubt on the company's ability to meet ongoing principal and interest burdens. The higher the ratio, the easier it is for the firm to repay its current debt and take on additional debt if necessary. Bankers, creditors and even investors often calculate and analyze this ratio to gauge the firm's solvency position. Similar to most ratios, averages will differ by industry.

Give me an example

If a software company has an interest coverage ratio over 2 times, this suggests that it has the ability to meet its interest payments two times over and may qualify for additional debt.

KPIs:

Cash-to-Debt



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What does it mean?

This solvency ratio compares a company's operating cash balance to its total debt. This ratio provides an indication of the company's ability to cover total debt (ST and LT) with its operating cash holdings.

Why should it matter?

A higher percentage ratio indicates that the company is better equipped to carry and service its total debt. A high ratio may also indicate "excess cash" or "excess net working capital" which could be returned to the shareholders or invested into new equipment or other avenues for expansion. A low ratio could signal future difficulties in servicing debt or even meeting payroll or vendor obligations.

Give me an example

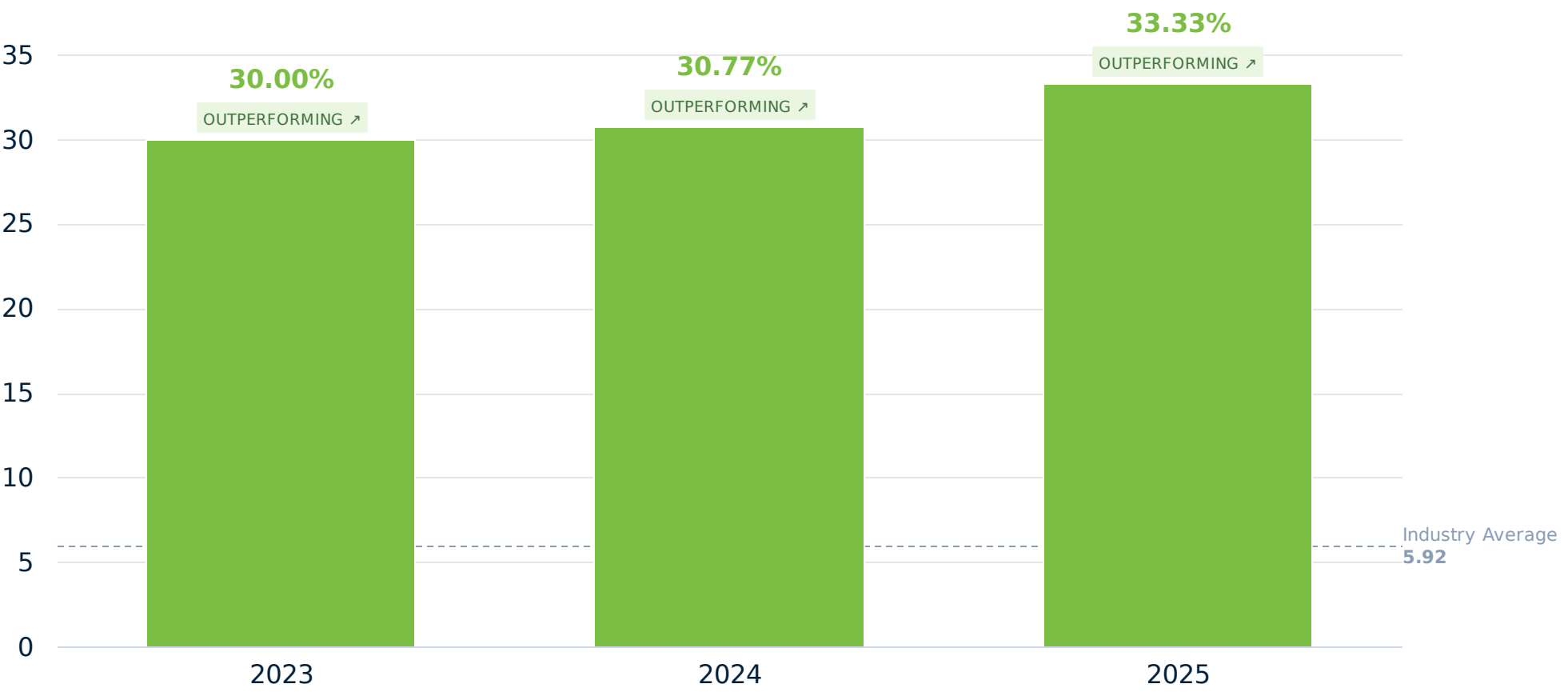
If a furniture store has a ratio of 74% this means that for every \$1 of debt, it has 74 cents in liquid holdings which could be used to service this debt.

KPIs:

Income-to-Revenue (PreTax)



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Industry Average is defined as the most recent one year average. Please note that the industry average may not always be visible if there is a large difference between the company averages and the value of the industry average.

What does it mean?

This "pretax" profitability ratio known as "return on sales" indicates the relative profit margin of the company for each dollar of sales.

Why should it matter?

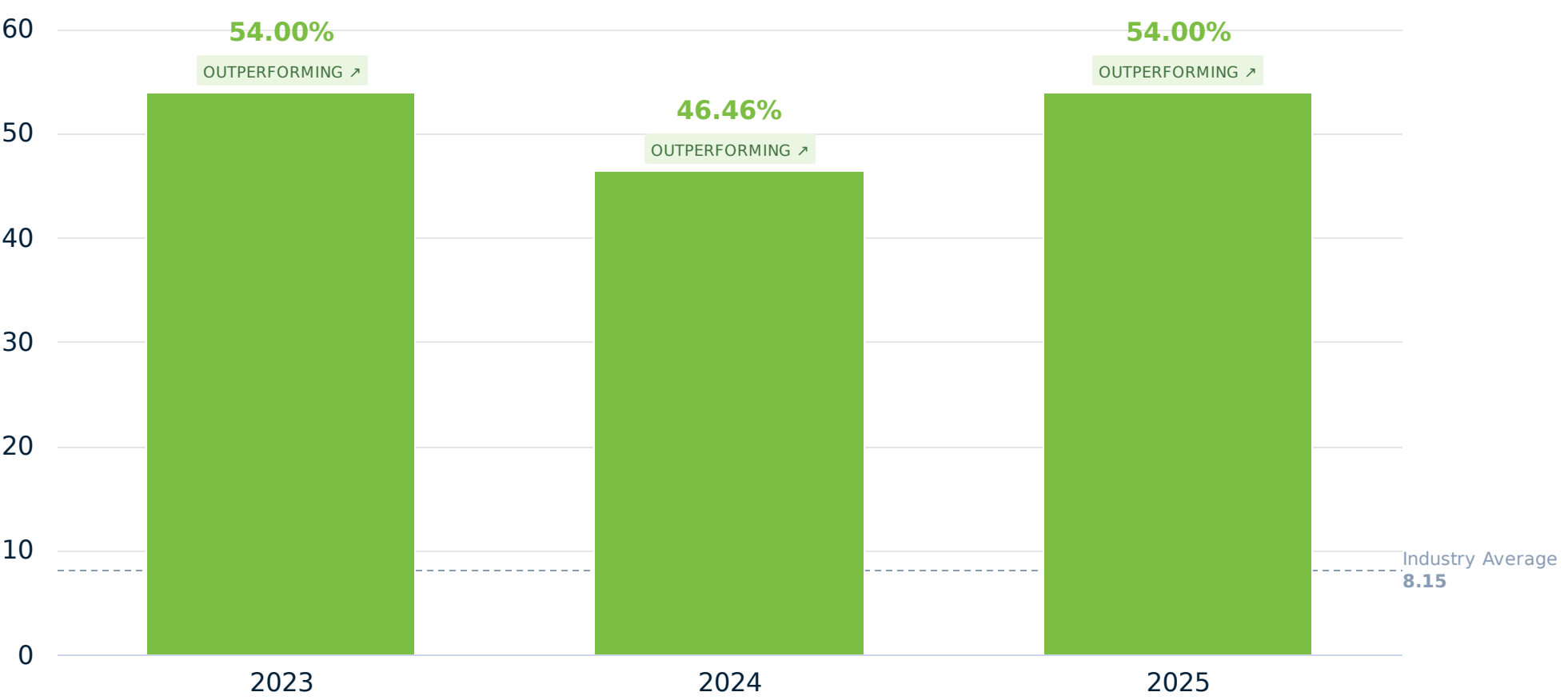
Similar to the return on equity ratio, a higher percentage ratio indicates a higher rate of relative profitability. Unlike the return on equity ratio, this measure is "pretax" in nature and is not affected by the actual tax burden. Higher gross profits and lower operating expenses coupled with higher revenues will bolster this important metric, which can be compared both over time and against the industry peer group.

Give me an example

If a convenience store has a percentage ratio of 17%, this means that for every \$1 of revenue it has a pretax income of 17 cents.

KPIs:

Cash Flow-to-Revenue



Industry Average is defined as the most recent one year average. Please note that the industry average may not always be visible if there is a large difference between the company averages and the value of the industry average.



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What does it mean?

This multi-purpose ratio is an indicator of the firm's ability to convert sales revenue into spendable cash for the ownership. Often times this is a key measure when analyzing a company's ability to grow without the assistance of outside capital.

Why should it matter?

A higher percentage ratio indicates that the company is able to turn a higher amount of revenues into cash flow.

Give me an example

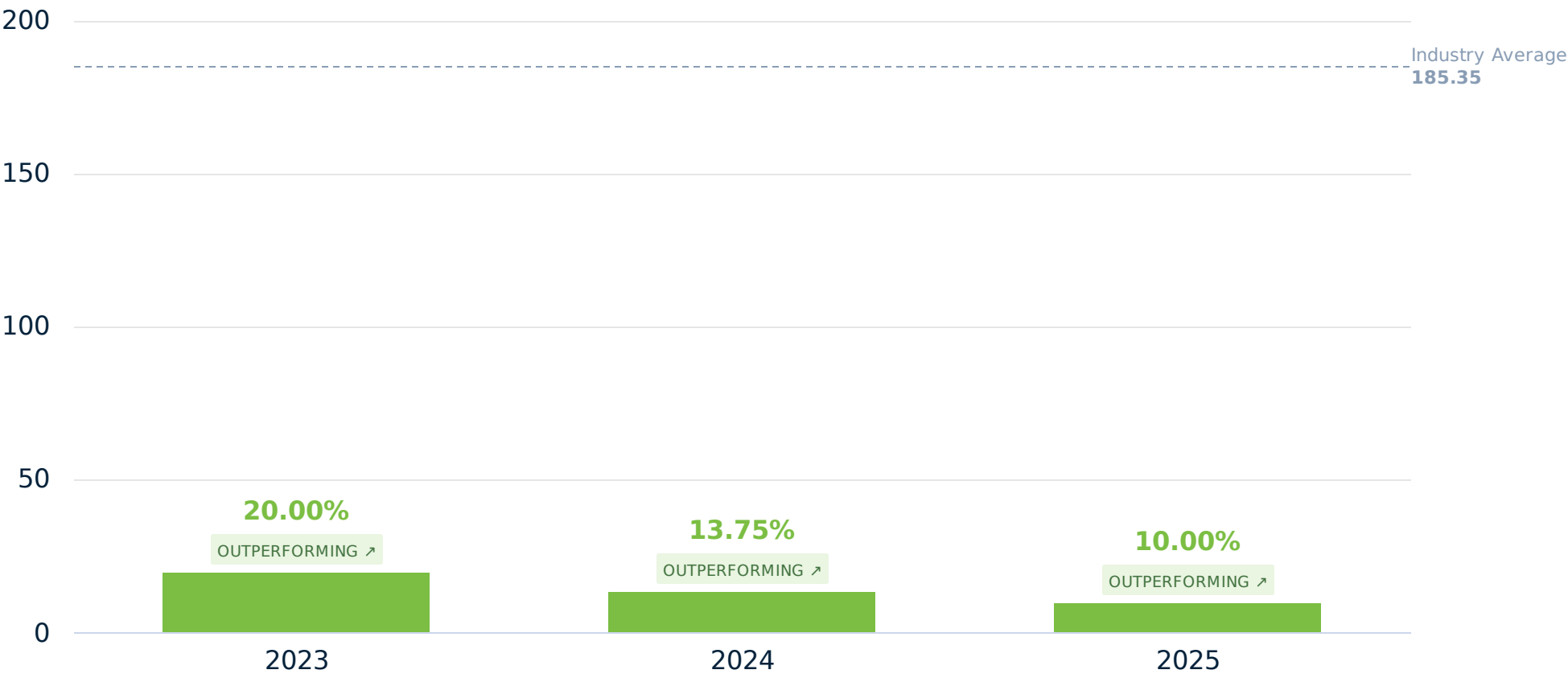
If a winery has a percentage ratio of 11%, it means for every \$1 of revenue it is generating around 11 cents in discretionary cash flow.

KPIs:

Receivables-to-Income (PreTax)



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Industry Average is defined as the most recent one year average. Please note that the industry average may not always be visible if there is a large difference between the company averages and the value of the industry average.

What does it mean?

This measure provides an indication of the amount of credit being granted to the customer base relative to ongoing profits.

Why should it matter?

If the receivables are greater than pretax profit, the importance of establishing and maintaining an effective and efficient credit, billing, and collections process is heightened.

Give me an example

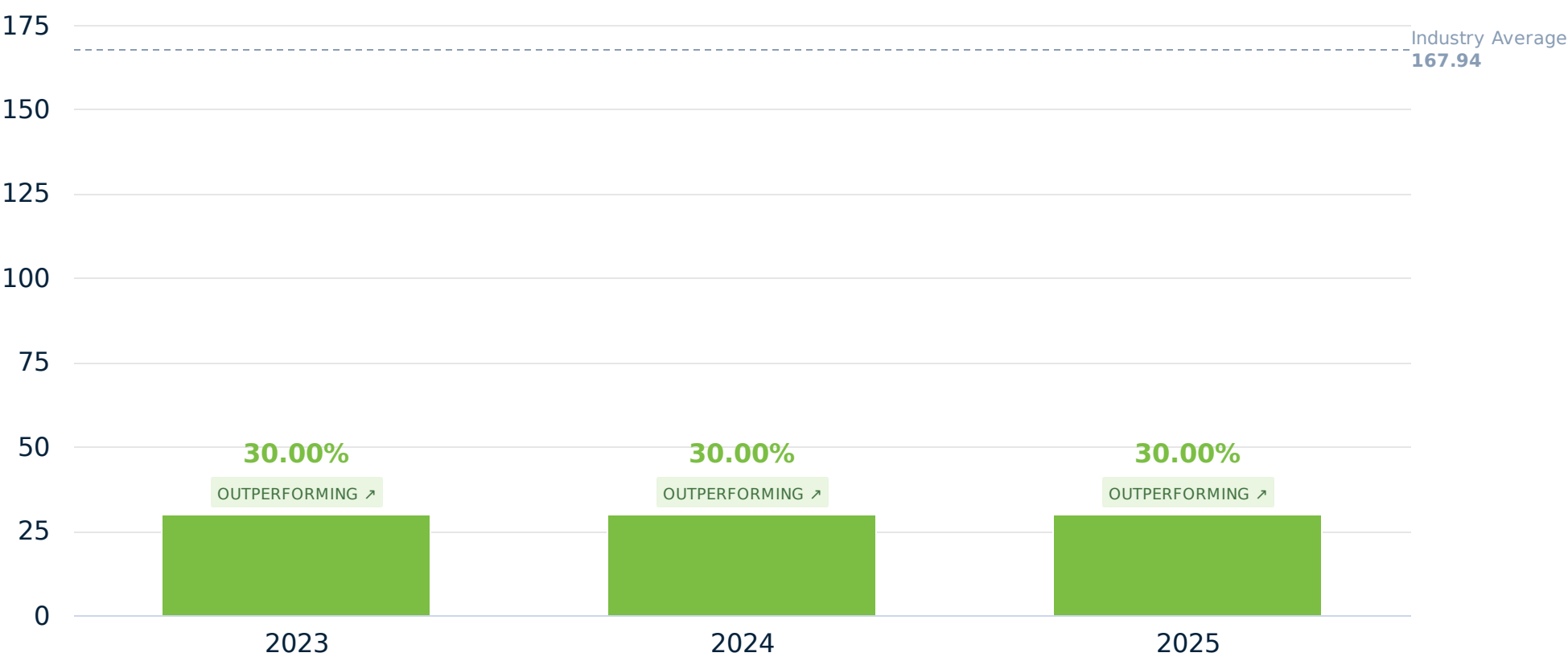
A company with \$100K in receivables and \$100K in pretax profit must collect all receivables to maintain the firm's profit margin.

KPIs:

Inventory-to-Income (PreTax)



Outperforming
in industry



Industry Average is defined as the most recent one year average. Please note that the industry average may not always be visible if there is a large difference between the company averages and the value of the industry average.

What does it mean?

This ratio illustrates the relative importance of inventory holdings (typically carried at lower of cost or market) to company profitability.

Why should it matter?

For retail and manufacturing firms in particular, inventory is one of the factors that you can control to improve your small business profitability. The way that inventory is sourced and managed can impact the different profit levels of your income statement. Ignorance of how to use inventory to your advantage prevents you from maximizing operational efficiency.

Give me an example

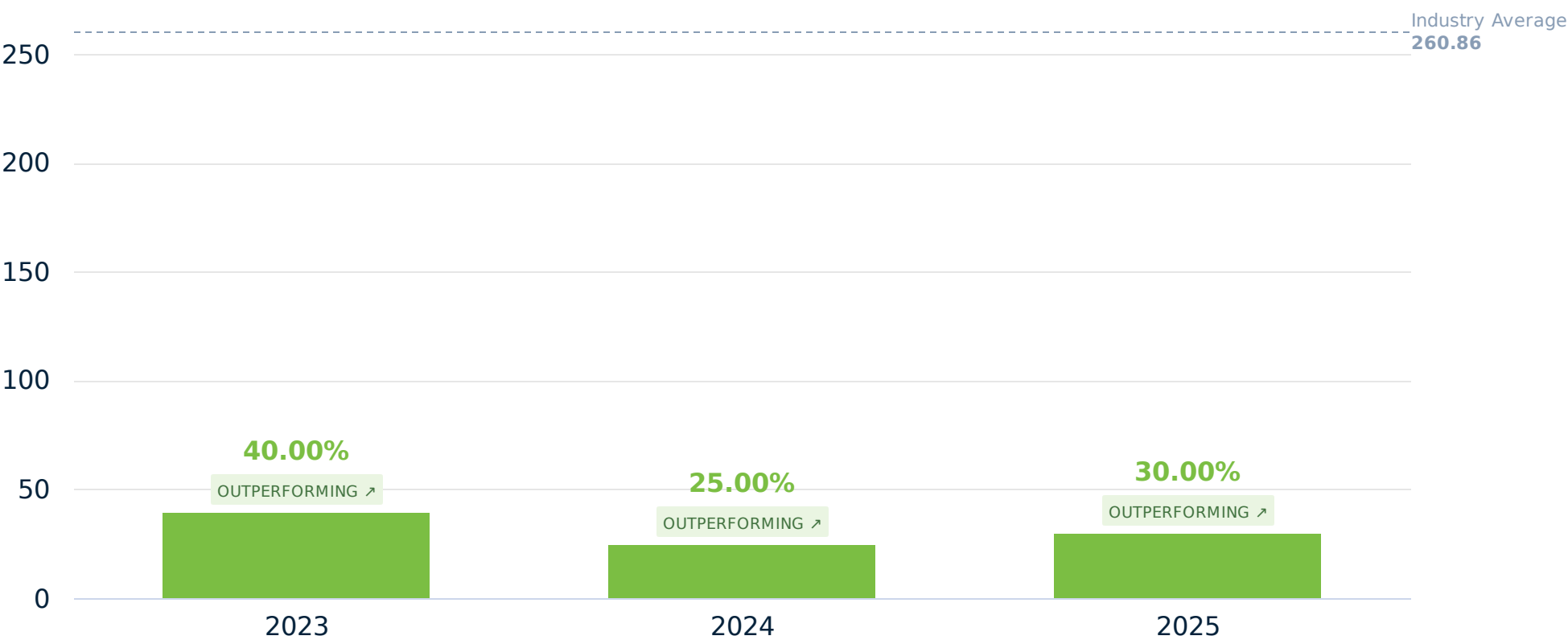
Over time, the goal might be to decrease this ratio, e.g. generate higher pretax profit with lower average inventory holdings.

KPIs:

Fixed Assets-to-Income (PreTax)



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Industry Average is defined as the most recent one year average. Please note that the industry average may not always be visible if there is a large difference between the company averages and the value of the industry average.

What does it mean?

This ratio provides insight into the firm's profitability relative to its stock of fixed assets (furniture, fixtures, and equipment/vehicles).

Why should it matter?

All other things equal, the firm seeks higher pretax profits for each dollar invested into fixed assets. As this ratio declines, the company is generating higher profits per dollar of capital expenditures.

Give me an example

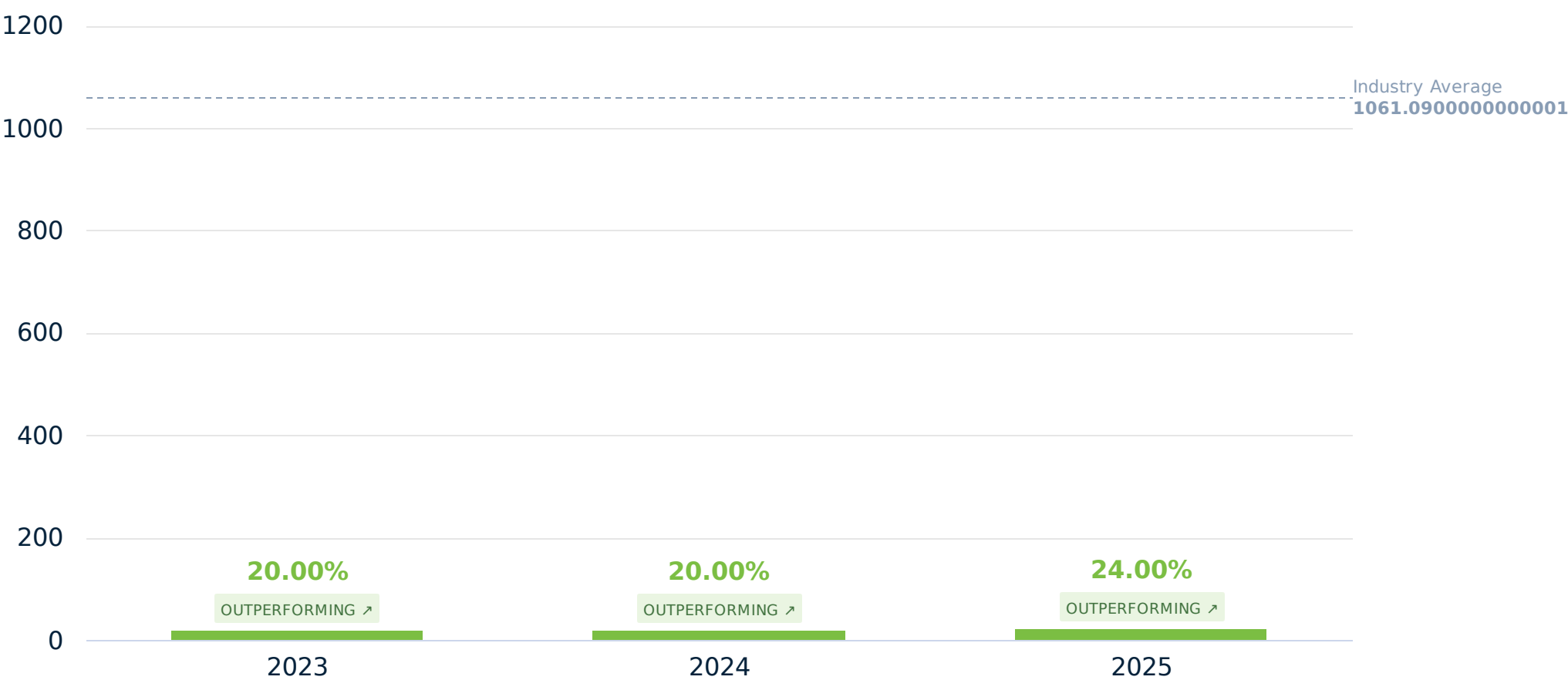
A ratio greater than one suggests that more money has been invested into capital assets than profits have been generated. This and other ratios should be reviewed "over time" and against industry norms.

KPIs:

Total Debt-to-Income (PreTax)



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Industry Average is defined as the most recent one year average. Please note that the industry average may not always be visible if there is a large difference between the company averages and the value of the industry average.

What does it mean?

This measure shows the relationship between total company obligations at any point in time (short and long term debt) and ongoing profit performance.

Why should it matter?

Firms with high debts relative to pretax profits are often riskier than those with lower total debts. At the same time, some companies rely on the use of debt to grow and enhance profit margins (when the return on investment of borrowed funds is greater than the cost of borrowing). From a valuation perspective, firms with lower debts and higher pretax profits will be worth more than those with higher debts and lower profits (all other things equal).

Give me an example

If total debts are \$100K and total pretax profits are \$50K, it would take two years to pay off debts out of ongoing profits.

About Business Valuation

In understanding and interpreting the "value" of a business, it is important to recognize that there are many different "types" and "levels" of value. The most common scenario involves the estimation of "fair market value on a going concern basis" for the entire company, e.g. a 100% interest in the subject equity or assets/enterprise.

When valuing the entire company (100% control interest), it is necessary to distinguish between the value on an "asset sale basis" and the value on a "stock or equity basis," i.e. these two value measures represent the two primary options available to buyers/sellers of businesses with each measure based on a different bundle of assets and liabilities (as generally used and defined by business appraisers and business brokers).

A variety of factors including tax and regulatory considerations will determine the chosen mode of sale, with buyer and seller negotiating price and an array of other "terms and conditions" including the type of sale.

The majority of small private firms are sold as asset sales while the majority of middle-market transactions involve the sale of equity.

The "asset sale" value will always differ from the "stock sale" value due to the specific group of assets and liabilities that are included or excluded in each format.

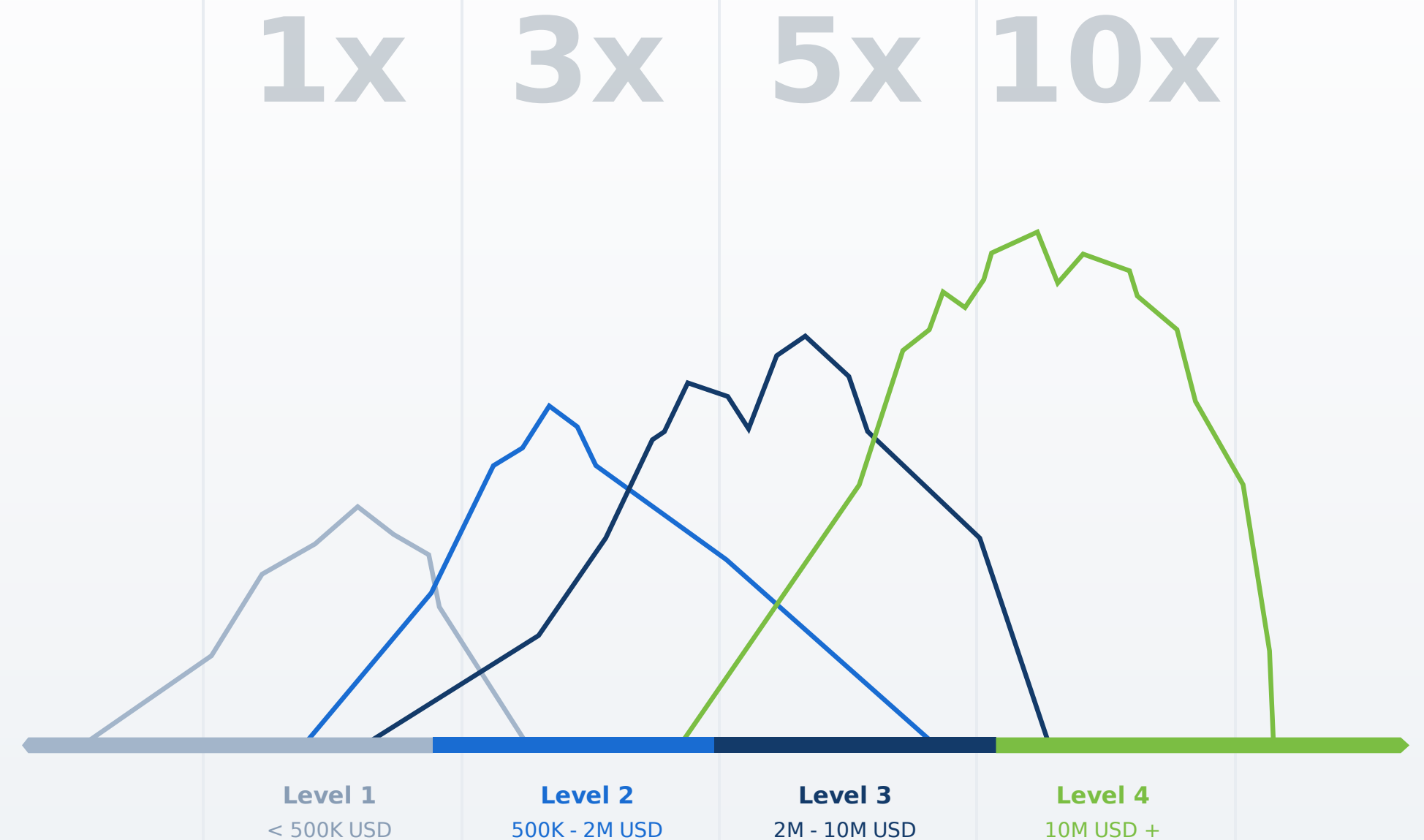
In determining which estimations of value are of most relevance to the business owner, the reason behind the valuation will typically address this question. Business brokers hired to assist buyers and owners most commonly value businesses under the "asset sale" scenario through multiples of discretionary earnings while valuations for divorce or estate taxes will be based primarily on the "equity sale" scenario.

Value Map

Exponential business value

Businesses of all types and sizes get business valuations because they are interested in discovering what their most valuable asset is worth. Taking this first step is a critical one, but only the first. Having "discovered" the business value, the next steps towards proactively managing value involve monitoring and optimizing the value of your company.

Our goal is to help entrepreneurs "climb the valuation mountain" illustrated right to the highest level possible by internalizing certain key valuation and operational concepts associated with discovering, monitoring and optimizing business value. Every business will go through stages of development and hopefully growth, and we want to help in this process. Once the basics of business valuation are understood, the path towards enhancing value will become clearer and more "real" in the eyes of the owner.



One central theme that is as simple as it is important concerns the so-called "size effect" or "size premium." Based on BizEquity's extensive research, we have found that companies with higher revenues and earnings are worth more than their smaller counterparts. The above graph is for illustrative purposes only, but generally, achieving valuation growth is possible due to the dual impact of higher earnings, e.g., higher earnings will directly increase value at any multiple, and higher earnings will alone lead to a higher valuation multiple.

International Glossary of Business Valuation Terms

Fair Market Value

The price, expressed in terms of cash equivalents, at which property would change hands between a hypothetical willing and able buyer and a hypothetical willing and able seller, acting at arm's length in an open and unrestricted market, when neither is under compulsion to buy nor sell and when both have reasonable knowledge of the relevant facts.

Going Concern

An ongoing operating business enterprise.

EBITDA

A quick measure that can be used to analyze and compare profitability among companies in the same industry as it eliminates the effects of financing and accounting decisions.

EBITDA is easily calculated, easy to explain, and the information is readily available from basic financial statements.

EBITDA = Earnings + (interest, taxes, depreciation, and amortization). Please note that "taxes" typically refers to Local, State and Federal income taxes as opposed to taxes related to payroll, real estate, etc.

Seller's Discretionary Earnings

"Seller's discretionary earnings" (SDE) or "adjusted cash flow" (ACF), is a more powerful measure of cash flow as it accounts for the tax-minimizing behavior of private firm owners and revolves around a "return on owner's labor" paradigm rather than a "return on investment" paradigm.

SDE = Pre Tax Income + Owner Compensation + Non Cash Charges + Interest (+/-) One Time Events

International Glossary of Business Valuation Terms

Asset Sale (Asset Value)

Includes ONLY inventory/supplies, fixed assets and all intangible assets such as tradename, customer base, goodwill and covenant not to compete. Excludes all liquid financial assets and all liabilities. Buyer operates from newly formed legal entity.

The seller keeps the cash and receivables but delivers the business free and clear of all debt.

$\text{Asset Sale} = \text{Value of Inventory} + \text{Value of Furniture, Fixtures \& Equipment} + \text{Value of Intangibles}$

Equity Sale (Equity Value)

Includes the assets listed above PLUS liquid financial assets LESS all liabilities (ST/LT). Involves the full transfer of the legal entity including all account balances and current tax attributes.

The buyer is acquiring ALL of the assets and ALL of the liabilities, on and off the balance sheet.

$\text{Equity Value} = \text{Asset Sale Value} + \text{Cash, A/R, etc.} - \text{Liabilities (short and long term)}$

Liquidation Value

The net amount that would be realized if the business were terminated and the assets were sold piecemeal. Liquidation can be either "orderly" or "forced" with the Bizequity estimate based on the "forced" option (which will be a lower value compared to an "orderly" or "planned" liquidation).

$\text{Liquidation Value} = \text{Fair Market Value of Identifiable Tangible Assets} - \text{Long and Short-Term Liabilities}$

Enterprise Value

In middle-market transactions, it is also helpful to distinguish between “equity value” and “enterprise value”. Enterprise value is a reflection of the firm’s value as a functioning entity and it is helpful in that it facilitates the comparison of companies with varying levels of debt. The enterprise value is equal to the sum of the equity value and long term debt value (typically book value) but less the value of cash holdings.

$\text{Enterprise Value} = \text{Equity Value} + \text{Long-Term Debt} - \text{Cash}$

BOSS

The word "BOSS" is written in a bold, dark blue, sans-serif font. A stylized arrow, composed of three parallel lines with a gradient from light blue to dark blue, points upwards and to the right, passing through the center of the letter "O".

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